

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AEC-11 SCI-06 AID-20 XMB-07 L-03 EB-11

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7995

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E.O. 11652: N/A

TAGS: TECH, EFIN, RP, ETRD

SUBJECT: PHILIPPINE ATOMIC POWER PROJECT

1. AT REQUEST EXECUTIVE SECRETARY MELCHOR, EC/COM COUNSELOR ACCOMPANIED REPRESENTATIVES BURNS AND ROE TO SEPTEMBER 13 PLANNING SESSION AT MALACANANG. MAIN PURPOSES THIS DISCUSSION WERE TO OUTLINE POSSIBLE FINANCING PROPOSALS FOR THE FIRST OF TWO 600 MEGA-WATT ATOMIC POWER UNITS TO BE BUILT IN THE PHILIPPINES FOR ENTRY ON STREAM 1981-83. PROPOSED PLANTS ESTIMATED TO COST IN THE RANGE 250 MILLION U.S. EACH WITH APPROXIMATELY 160 TO 180 MILLION REPRESENTING FOREIGN EXCHANGE COSTS.

2. IMMEDIATE EFFORT EXECSEC MELCHOR CENTERED ON GETTING THROUGH THE PR-PROJECT ENGINEERING PHASE SO THAT A CURRENT PICTURE OF PROJECT COSTS AND EVENTUAL FINANCING PROBLEMS COULD BE IDENTIFIED. MELCHOR INDICATED THAT HE THINKING OF THE BASIC FINANCING PROPOSAL PUT FORWARD BY U.S. EXIM BANK. HOWEVER, CENTRAL BANK AND DBP ADVISORS POINTED OUT THAT THIS PROPOSAL WOULD NOT COVER ALL LOCAL COSTS AND LEFT A

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SIGNIFICANT AMORTIZATION GAP SINCE REVENUES IN THE

REPAYMENT PERIOD WERE UNLIKELY TO EQUAL DEBT SERVICING COSTS.
PROPOSAL MADE BY DBP THAT NATIONAL POWER CORP
CONSIDER A BOND ISSUE AS WELL AS USE OF OTHER
POSSIBLE LOCAL FUNDING SOURCES, E.G. PL-480 COUNTE-
PART, AS MEANS OF BRIDGING FINANCING GAPS.

3. OUTLINES OF PRE-PROJECT ENGINEERING AND CONSULTANCY
CONTRACT DISCUSSED BY BURNS AND ROE REPRESENTATIVES
ARTHUR FIEHN AND SAMUEL HULL IN SUBSEQUENT MEETINGS
WITH THE NATIONAL POWER CORP. BURNS AND ROE REPS REPORTED
THAT PROPOSED CONTRACT FOR THESE SERVICES WILL BE PRESENTED
TO GOP WITHIN 10 DAYS. WE ADVISED HULL THAT INQUIRIES
REGARDING PRELIMINARY COMMITMENT ON FINANCING FOR SERVICES
INVOLVED SHOULD BE ADDRESSED DIRECTLY TO EXIM WHEN CONTRACT
PROVISIONS HAVE BEEN WORKED OUT.

4. IF PROJECT PROGRESSES ON TIMETABLE ENVISAGED BY
BURNS AND ROE AND AS COMMUNICATED TO GOP, BIDDING FOR
CONTRACTS ON MAIN UNITS SUCH AS THE NUCLEAR STEAM
SUPPLY SYSTEM AND THE TURBO GENERATORS WOULD BE
SOUGHT AROUND MID-74; CONSTRUCTION OF THE PLANT WOULD
BEGIN IN 1976; AND FUEL WOULD BE LOADED IN EARLY 1981.

5. EMBASSY FOLLOWING DEVELOPMENTS THIS PROJECT
CLOSELY AND WILL KEEP WASHINGTON AGENCIES INFORMED.
SULLIVAN

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